

## Legislative Bill 2

**Introduced by:** Appropriations and Revenue Committee at the request of the Governor

**FOR AN ACT** relating to revenue.

Section 1. There is hereby imposed a tax of 5.5 percent on the sale of all goods and services, except as exempted under Nebraska Revised Statutes 77-2701 and 77-2704.

Section 2. There is hereby imposed a tax on all individual income at a base rate of 3.7 percent.

Section 3. There is hereby imposed a tax on all corporate income at a base rate of 150.8 percent of the individual income tax rate. Exemptions to the tax on corporate income are provided through a credit against income tax liability for those companies that qualify.

Section 4. The state shall provide corporate tax credits to qualifying companies that create jobs and provide levels of investment as required by law at a base rate established by law.

Section 5. There is hereby imposed a tax on alcohol at a base rate established by law.

Section 6. There is hereby imposed a tax on tobacco products at the rate of 64 cents per pack.

Section 7. Nebraska Revised Statutes 77-2701.35 is amended to read:

The sales price of a motor vehicle or motor boat does ~~not~~ include the value of the vehicle or boat traded in as part of the sale of another vehicle or boat.

Section 8. Nebraska Revised Statutes 77-2704.12 is amended to read:

Nonprofit organizations shall not be exempt from sales tax.

Section 9. Nebraska Revised Statutes 77-2704.15 is amended to read:

Sales and use taxes shall ~~not~~ be imposed on purchases made by the state, schools and political subdivisions.

Section 10. Nebraska Revised States 77-2704.45 is amended to read:

Sales and use taxes shall ~~not~~ be imposed on property purchased as an ingredient or component for the manufacturing of a product to be sold at retail.

### FISCAL NOTE

Fiscal Year 2009-10		Fiscal Year 2010-11	
Expenditures	Revenues	Expenditures	Revenues
\$0	\$1,214,400,000	\$0	\$1,250,800,000

LB2 would increase revenues by approximately \$1.2 billion. Section 7 would increase first-year revenues by \$136 million. Section 8 would increase first-year revenues by \$45 million. Section 9 would increase first-year revenues by \$233 million. Section 10 would increase first-year revenues by \$800 million.

### STATEMENT OF INTENT

*Sales tax exemption repeals* – LB2 would eliminate four specific sales tax exemptions. Affected exemptions include ones offered to motor vehicle and motorboat trade-ins, nonprofit purchases, government purchases and manufacturing components.